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How She Is Handling Them

An Address by

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Representative of the Bank of France  
to the United States



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## How She Is Handling Them

An Address by  
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# FRANCE—HER PROBLEMS— HOW SHE IS HANDLING THEM

*An Address by Baron Jacques de Neuflize, at a Dinner tendered  
by M. Casenave, General Director of the Services Français in  
the United States, to Representatives of the New York Press,  
July 16, 1919.*

WE have all heard of the man who, expecting boiled eggs for breakfast, was reduced to despair when the cook broke the eggs into a bowl for an omelet.

Let us not worry here about the omelets they are making in foreign countries, when we have been expecting boiled eggs.

\* \* \*

The fact is, and it is as true for a Frenchman in America as for an American in France, that it takes time to understand a foreign country and to translate what you see and what you hear into your own formulas and standards. I go so far as to consider it a mere detail that in a foreign country the people you meet have a better knowledge of their own language than of yours. This can be overcome easily, but what is more difficult and takes time and patience, is to understand the surroundings, the form of thought and its expression, the ways in which the people work.

Now, let us take France and America.

We have great similarities. We are idealists, we have courage and stubbornness, we are individualists and kickers. We have also great differences.

Your country is fifteen times bigger than ours, while your population is only three times larger. That means that the density of our population is five times greater than yours. We are a very old country, while your amazing development dates from the last century.

You have big stretches of farm land, with a deep, fertile soil; we have small farms, in varied land irregularly shaped, and often with little depth of productive earth.

You have extraordinary mines, with coal and ore nearly at the surface; we have to go three or four thousand feet deep to get it.

Our railroads, as Mr. Harriman told me once, are merely a street-car proposition, and although I felt insulted at the time, I understand what he meant.

Now, of course, the business mind of the people and their ways of working are affected by the place they are working in and on.

The French people have worked France successfully for fifteen hundred years, and you will, in comparing the successful American and French business man, find that the American is more enterprising, quicker, looks out for the big opportunity, is ready to take a plunge, conceives big organization with

quick realization. That the Frenchman is more conservative, more thorough, more interested in the details, unwilling to take too big a risk.

Now, in both cases they fit their respective country; big America with its enormous resources not wholly developed; small France, densely populated and its resources thoroughly developed.

\* \* \*

If I am not mistaken, the three points which have been mostly raised by friends returning from France are:

- (1) Political management.
- (2) Insufficient taxation.
- (3) Our supposed unwillingness or inability to work.

There is a preliminary point which must not be overlooked, because it affects the whole proposition.

France is coming out of four and a half years of war, waged suddenly upon her at a time when there was a general economic crisis throughout the world.

America came into the war two and a half years later after a period of unheard-of prosperity.

Our war expenses were double yours, although if I refer to the statistics published here by your banks, our pre-war wealth was only one-fifth of yours.

Our losses in men killed have been one million and a half; the same proportion for you would have meant

every single American who wore a U. S. uniform being killed.

I hope you fully understand what I mean when I say this; it is not to overrate the share of France in the war, but we are discussing an economic and financial problem, and I cannot do it if I do not refer to the facts underlying the whole situation.

\* \* \*

Now, I have heard hundreds of times—America does this and this; why don't you do the same?

And I must acknowledge that I have felt several times like the farmhand who had to walk ten miles to go to church and then ten miles back home, and who was blamed for not having been to church the Sunday before by a man who never missed church, since he had an automobile.

What I want to show you in a few words is how we in France understand our actual problems; what we have not yet done and why; what we have already done.

\* \* \*

To understand political management in France, Americans must not overlook these things:

FIRST.—That our Government can at any time fall, if put in minority in the Chamber. This means that our executive must in every day's action take into account the parliamentary situation and keep a majority. That makes it much more difficult than here.



SECOND.—We had the privilege and the responsibility likewise of having the peace conference in Paris. This meant among many other things the necessity of enforcing an exaggerated censorship on our papers by courtesy to our guests, and its consequence was an underlying nervousness of public opinion, increased by the fact that every peace delegation was the source of conflicting gossip.

THIRD.—The very small, but noisy and well-organized, minority of bolsheviks and radicals in parliament affected our parliamentary machine, weakened already by the perspective of elections next September.

FOURTH.—The efforts and suffering of France for five years made it imperative for our Government to settle first of all the question of peace; first let a readjustment of the country and of the people take place, and not ask new sacrifices of the people before they had found themselves again.

These things are at present out of the way. Next Fall we shall have a new parliament, and with four years ahead of them they will be able to work.

\* \* \*

The taxation problem has been affected by the political problem which I have just explained.

Besides the problem is not exactly as easy as it was in this country.

You were able to put up comparatively heavy taxation from the start, because you were in an economic situation in 1917 which permitted it, because you have the advantage of a great number of large incomes which can bear a large share of the total taxation; finally, because, after all, heavy taxation here is only temporary, and therefore its imperfections are less burdensome, because relief is in sight within a few years.

With us, owing to the share in the war which has been our lot, the exceptional taxes which have to be raised will have to be paid by us for a very long period of time. Therefore, to enable our people to accept them, we must be very careful in the enactment of the new fiscal laws and base them on a scientific survey of our resources.

Besides, we have only very few large single incomes; taxation to yield something must reach the small people. That makes the problem more difficult, because you must make everybody admit that he is taxed justly.

\* \* \*

I suppose you remember all the talk at the beginning of this year about reconstruction in this country and many industrial and commercial leaders here believing they were ruined. If this moral hesitation was permissible here, don't you think that we, in France, were wise to let things settle down before trying to solve all our problems at once?

We had 18 per cent of our male population away; 90 per cent of our factories were diverted to the production of war stuff.

Now, the first thing for taxation is not taxes. Our Government problem is to get taxable income. Taxing it afterwards is easy, provided the political situation is straightened out, and this, as I have shown you, will happen next Fall.

Therefore, the real question comes to this: Will there be a big enough taxable income in France, or in other words, are French people working?

Now, to this question I very emphatically and positively answer, *Yes*. They want to work and they are working. It has been one of the most remarkable things in France to see, the day of demobilization,—everybody going back to his old job. In certain cases we have noticed a certain staleness in the productivity of the workmen and employees, but the good will remains and the efficiency of the returned soldiers is already very near normal.

Do you realize that to date we have 90 per cent of our destroyed railroads reconstructed, and that our canal communications in the north and east of France are 80 per cent restored?

That all our automobile factories that had been turning out shells, artillery, tractors, and so on, are all in full swing again constructing cars with plenty of purchasers in sight, and that deliveries are already beginning?

That our spinning and woolen industries are ahead of our supply of raw materials, and that many factories in the devastated regions are already reopened? Some have still oil paper ceilings, and canvas walls, and odd machinery, but they work.

I remember the emotion it caused me when I saw a few months ago the first bills drawn by a manufacturer of Lille on his customers against the delivery of his first goods. Now I am blasé about it, because so many have resumed; but I would wish that more people would see these efforts and these manifestations of will to work, because they picture better the real France than any efforts I might make.

\* \* \*

There is an interesting comparison to illustrate the French way of doing things.

You recollect that at the beginning of 1915 France was short of shells and of artillery. In 1918 we had an enormous supply for ourselves and were even able to furnish our American friends with all the war material they needed and could not obtain at home.

Now, I am unable to find that at a certain date a certain move changed the situation. The improvement came by itself as the result of the individual efforts of the French people. To-day it is more or less the same. We are supposed to have been unable to do anything yet to solve the problem of recon-

struction. Now let me tell you that I believe that it will never be solved as a whole, for many reasons, but mainly because the problem as a whole does not exist except in the imagination of people who attempt to concentrate in one tens of thousands of different problems.

However, it does not prevent reconstruction going on, every fellow working on his own salvation. They do not talk; they have no time for that, they prefer to work. A few talk, and of course it is those who lack the energy, the supreme will, or the ability for their task. But they are only a small minority, not representative of the situation, and perhaps as soon as next year people will be amazed to discover that the economic activity of France is in full swing, without being able to explain how it has been done.

Last January I had the privilege to be one of the speakers at the annual dinner of the New York bankers. At that time they were all desirous to go to France and do business there. And I told them they would come back disappointed, because I knew that the situation was different from what they expected to find.

Many have come back disappointed, as it appears in their statements.

To-day I am willing to make a new forecast, and that is, that they will be disappointed again. This time the other way. I do not expect to be believed

any more this time than I was in January. But it is as easy to arrive too late as to go too soon.

\* \* \*

The talk of the day is at present American-European cooperation.

There are American goods needed abroad; there are American producers who want to sell their goods.

At first sight this seems easy.

I frequently hear proposals for solving the European situation.

That impresses me about the same as if a competent person tried to find a single rule to feed all animals, and was proposing the same diet for an elephant and a donkey, a camel and a chicken.

In Europe there is still more difference between the various nations than between the countries of the American continent.

How would it appeal to you if the same business methods were proposed for the United States, Mexico or Central America?

Therefore, I will not try to tackle the whole European problem; I will just try to sum up the French point of view.

French people believe that their credit is very good. At the beginning of the war there were five to six billions of francs of trade acceptances outstanding.

In forty-eight hours, 3,000,000 men were mobilized and 2,000,000 more in the next fortnight. Of



course, this stopped practically everything, and the only remedy was to proclaim a general moratorium. Now, of these frozen bills to date, only eight hundred million francs are still unpaid, and it is expected that finally not more than half of the amount will remain unpaid; these being practically all bills drawn on people killed or ruined by the war.

Is that not a tremendous show of the strength of the French credit system—that after this five years' tragedy less than one hundred million dollars of bills remain unprotected?

The French laws are very good and efficient. They are simple and a pledge can be very quickly and easily enforced.

Our banking system is very strong. Our banks were able to get themselves out of the moratorium in one year and are at present very liquid and can give to their customers the assistance they need.

We have established a large, new institution to make loans to the people of the devastated regions and discount the indemnities allotted by the French Government. The capital is subscribed and any day upon ratification of the charter by the parliament, the "Crédit National" will start its activities.

Our investment market is good, industrial bonds and notes are easily absorbed; the city of Paris just issued a loan of 1,500,000,000 francs, which is quoted at 3 per cent premium.

The advances of the Bank of France to the French Government, notwithstanding heavy expenditure for cancellation of war contracts and payment of demobilization money, are progressively decreasing.

For the first three months of 1919 they were 4,450 million francs. In April they were 800 million. In May, 500 million. In June, 300 million. Taxation receipts are increasing: April, 804 million francs. May, 806 million. June, 944 million.

\* \* \*

We have two big problems still at hand; the first concerns us only. It is financing definitely the French Government through conversion into long-term bonds of the short term securities and the surplus indebtedness at the Bank of France. That is a big job. We will do it. We know how to deal with the French people.

Our methods are perhaps not so brilliant as yours, but we succeeded with them after the war of 1870, when we were beaten; therefore, this time, when we are victorious, I am perfectly confident that our methods will work successfully once more.

The second problem which interests you is our exchange, and our foreign purchases. We are much in the same position as a railroad with a maturing bond issue. How does a good railroad pay? It has no money, it has only equity.

Therefore, it has to borrow again, until it can re-



pay by installments through a sinking fund what it owes.

Besides, the railroad also issues equipment bonds to buy whatever material it needs to assure its traffic.

All this is considered very normal here.

A country like mine is exactly the same on a larger scale.

We were perfectly balanced before the war; we were even loaning half a billion of dollars a year to foreign countries.

But during five years we only attended to the business of not being beaten by the Germans.

Therefore, we have neglected our export trade and accumulated an adverse foreign balance.

Our exchange is bad at present, because foreign credits are smaller than our needs temporarily. Dollars are scarce and, as we have all sorts of stocks to replenish, the demand for dollars is bigger than the supply, and like wheat after a bad crop the price raises.

But we still have equity, good equity, lots of equity, behind the franc, and if it was only a question of its intrinsic value, you would not get 6.80 francs for a dollar.

Therefore, the whole situation sums up in this: As we are short of dollars, how can we buy American products and how can we pay for them? For a railroad the Americans are satisfied to take its securities.

Can we place our securities here? That is the problem.

There is no doubt that there are at least one million Americans who would gladly take one French bond of a hundred dollars or more.

This would make a large sum, which would speed up our reconstruction and inside reorganization tremendously.

But how to reach those willing purchasers—that is what neither ourselves nor our American advisers and friends have been able to find out yet.

\* \* \*

Of course, we are passing at present through a sort of a moral crisis; it is like August, 1914, when the prevailing opinion was "Poor France, they will never be able to fight."

To-day some people say, "Poor France, they will never be able to work again."

You found out that we could fight; we are already working again.

The final help for our fight against our war destruction you will give us, I know, as you gave the successful effort which destroyed the German nightmare.

And I am perfectly confident that those who want to help us out of sympathy, to-day, will find out promptly, with true American insight, that it is at the same time good business.



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